



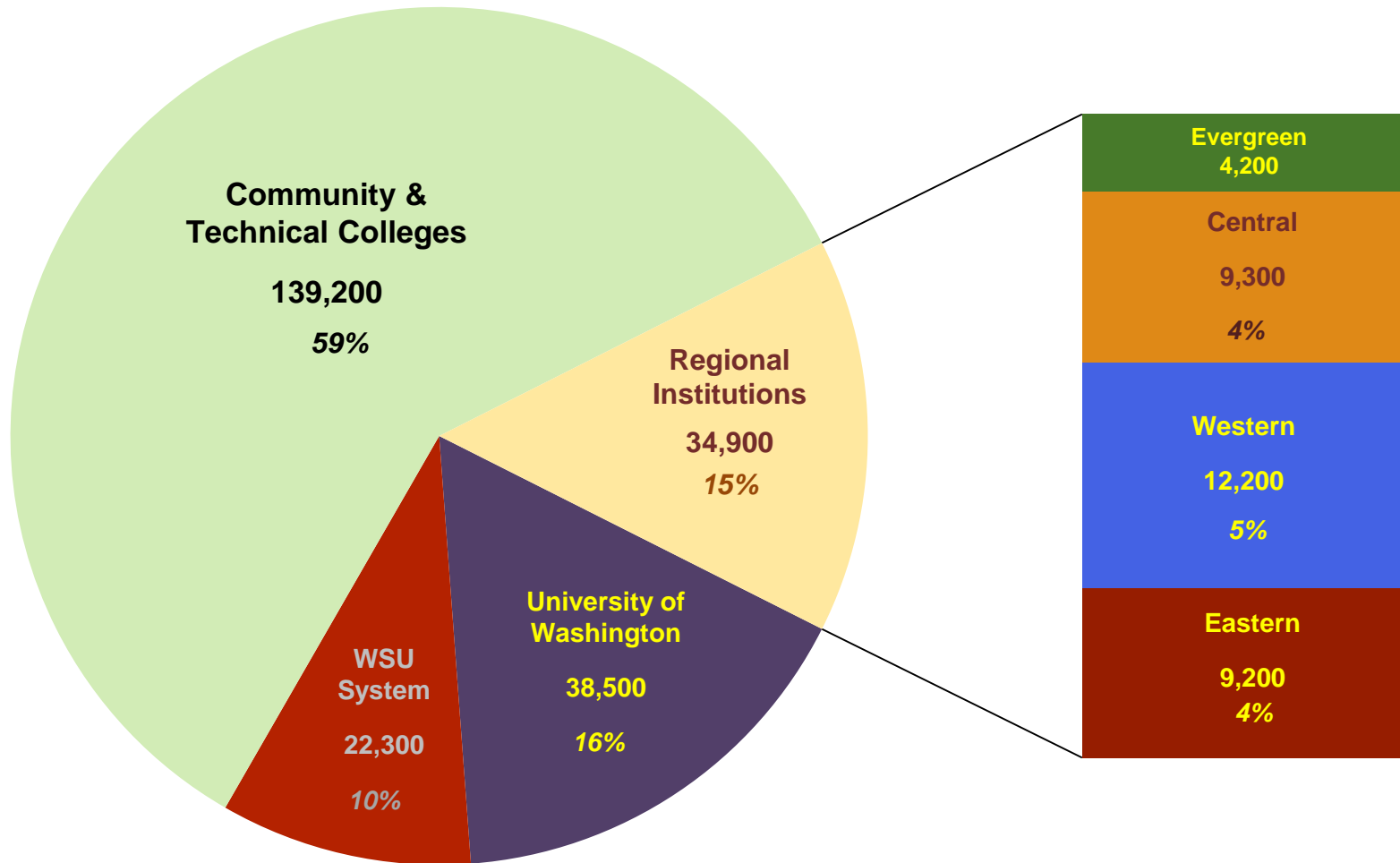
# **2009 HIGHER EDUCATION OPERATING BUDGET OVERVIEW**

**Staff Presentation  
to the  
Senate Ways & Means Committee  
February 12, 2009**

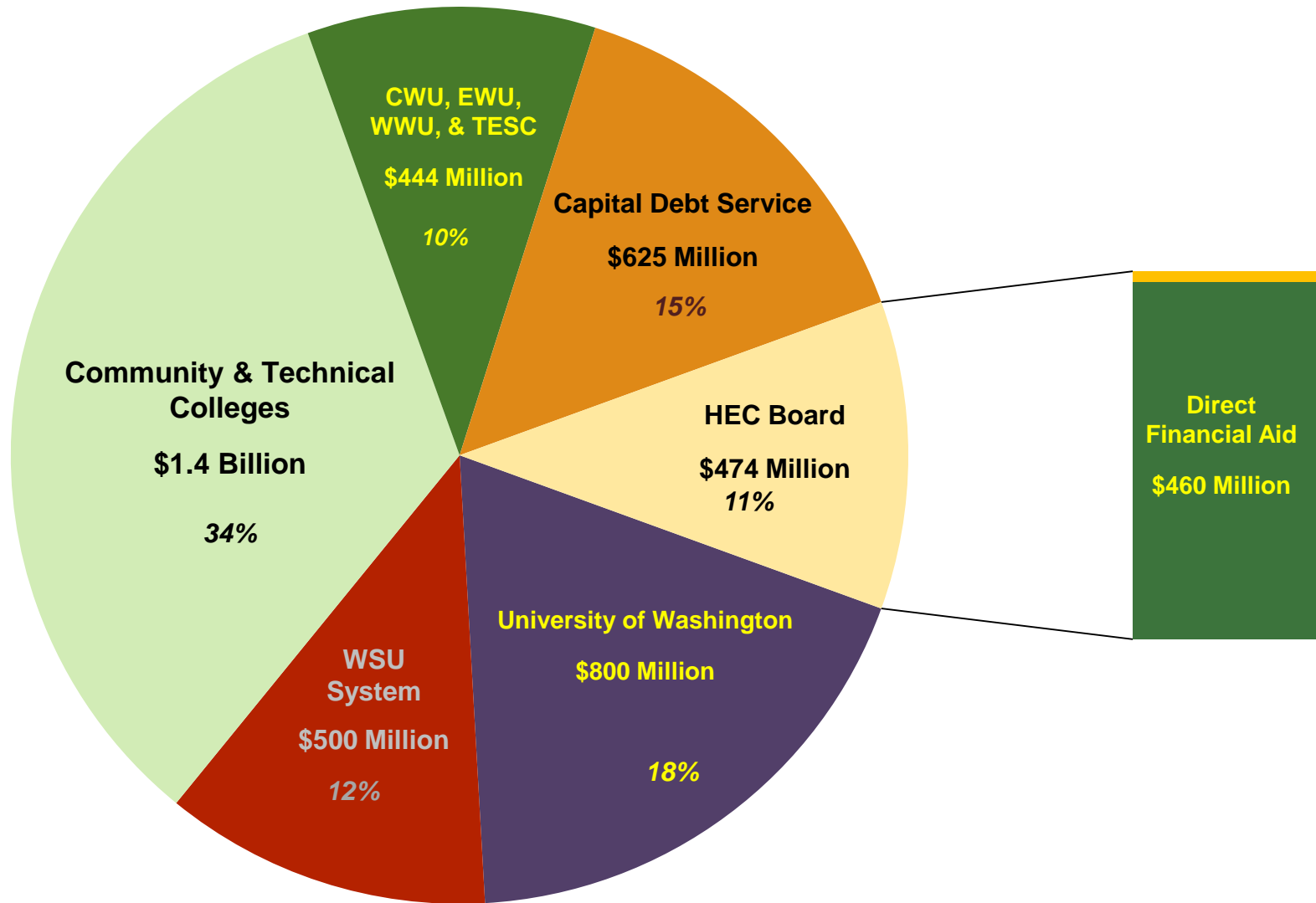
# Topics Addressed in Today's Briefing

- **Current Public Higher Ed Budget**
  - enrollment & funding levels
  - share of total state budget
  - growth trends
  - non-state funding sources
- **Background & Context for Key 2009:**
  - enrollment decisions
  - tuition & financial aid decisions
- **Governor's 2009-11 Budget Proposals**
- **Potential Reductions & Impacts**
  - “reduction scenario” approach
  - summary of tentative institutional plans

The state is budgeted to cover part of the cost of higher education for over 235,000 full-time equivalent (FTE) students at the public colleges and universities this year.

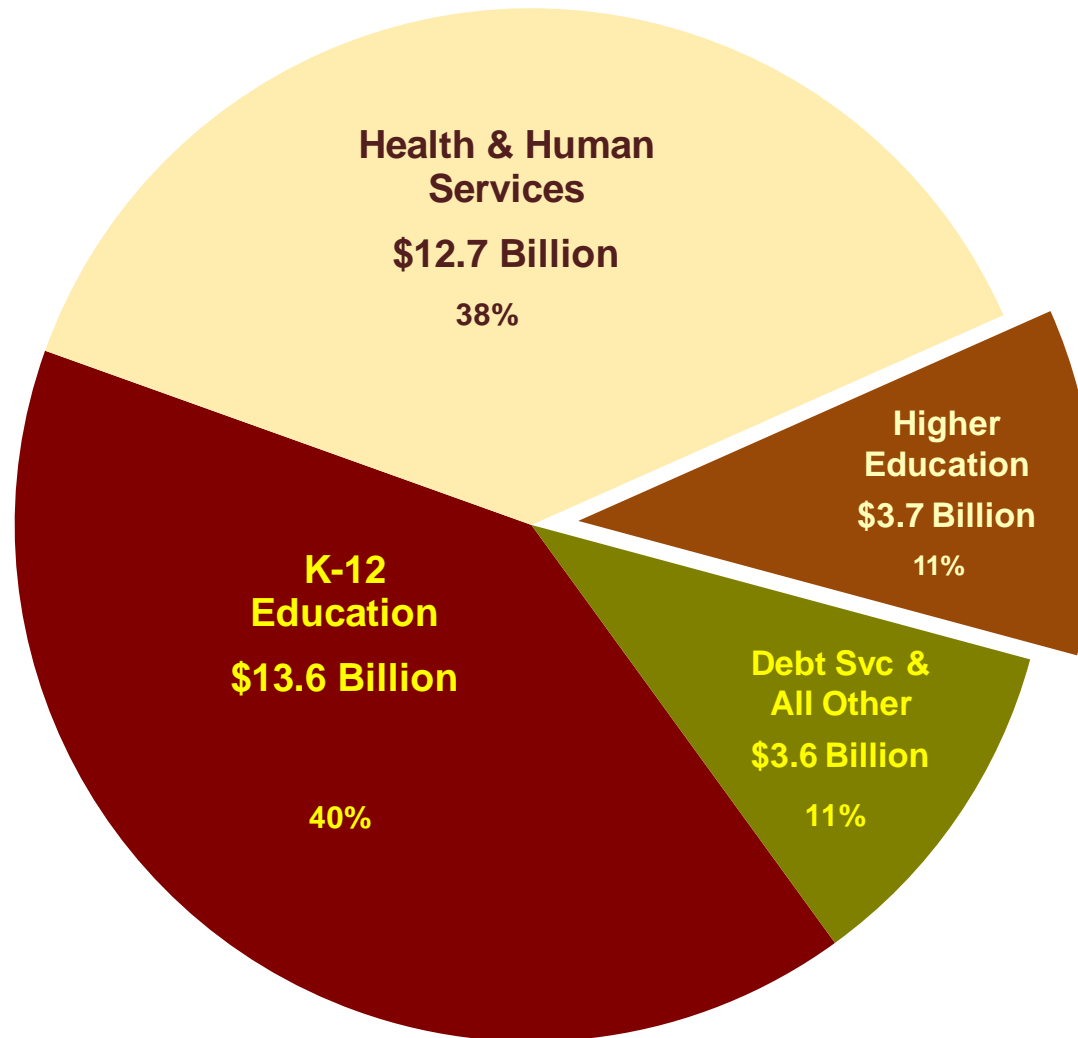


# The state appropriated about \$4.3 billion for higher education this biennium.



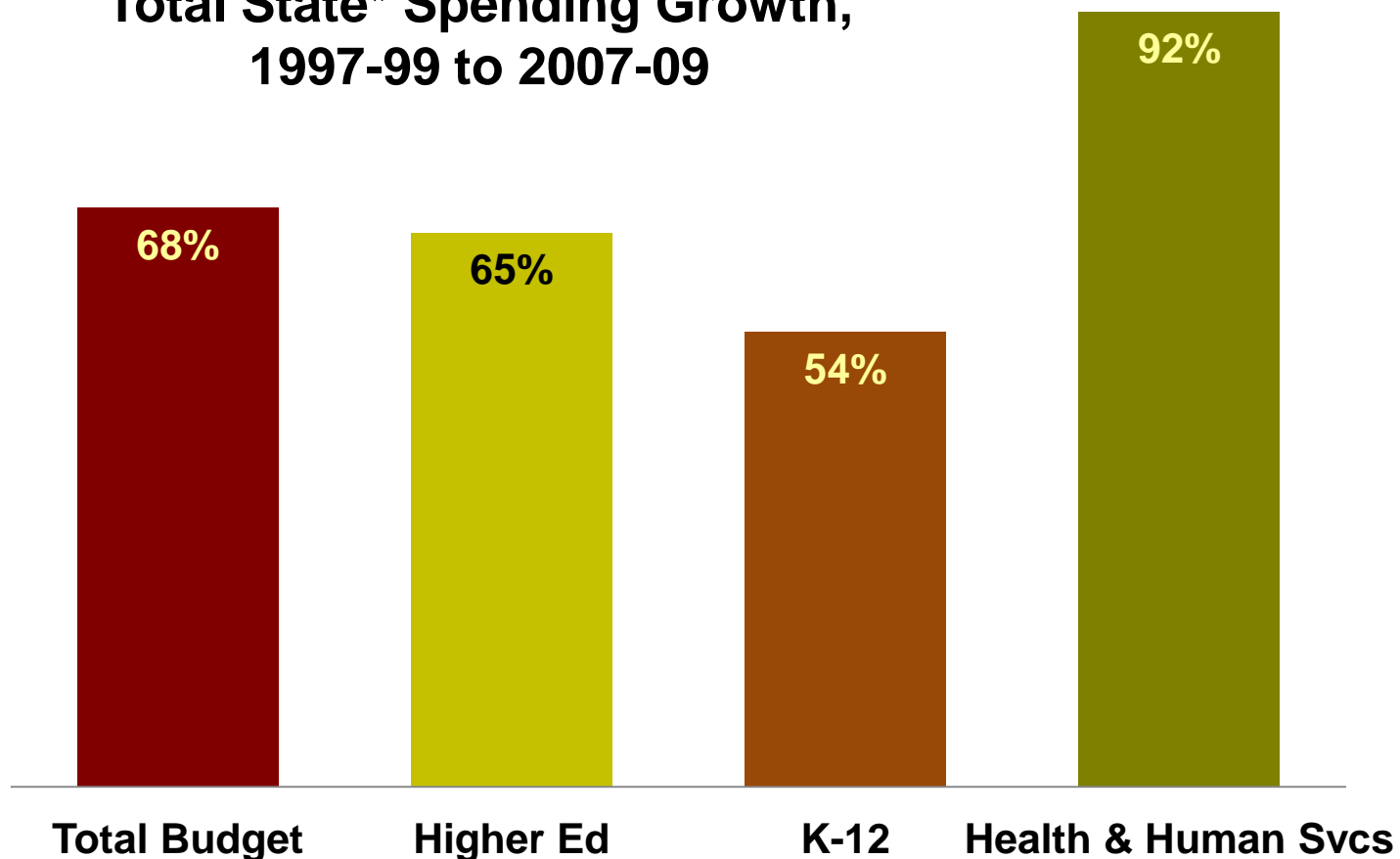
2007-09 state appropriations prior to enactment of 2009 supplemental.  
"State" includes GF-S, Education Legacy, & Pension Stabilization Accounts.

**Higher Ed is the third largest component of the state budget, and the largest for which spending isn't driven by state or federal mandates.**



State spending on higher education has increased at about the same rate as the total operating budget, but less rapidly than spending on human services programs.

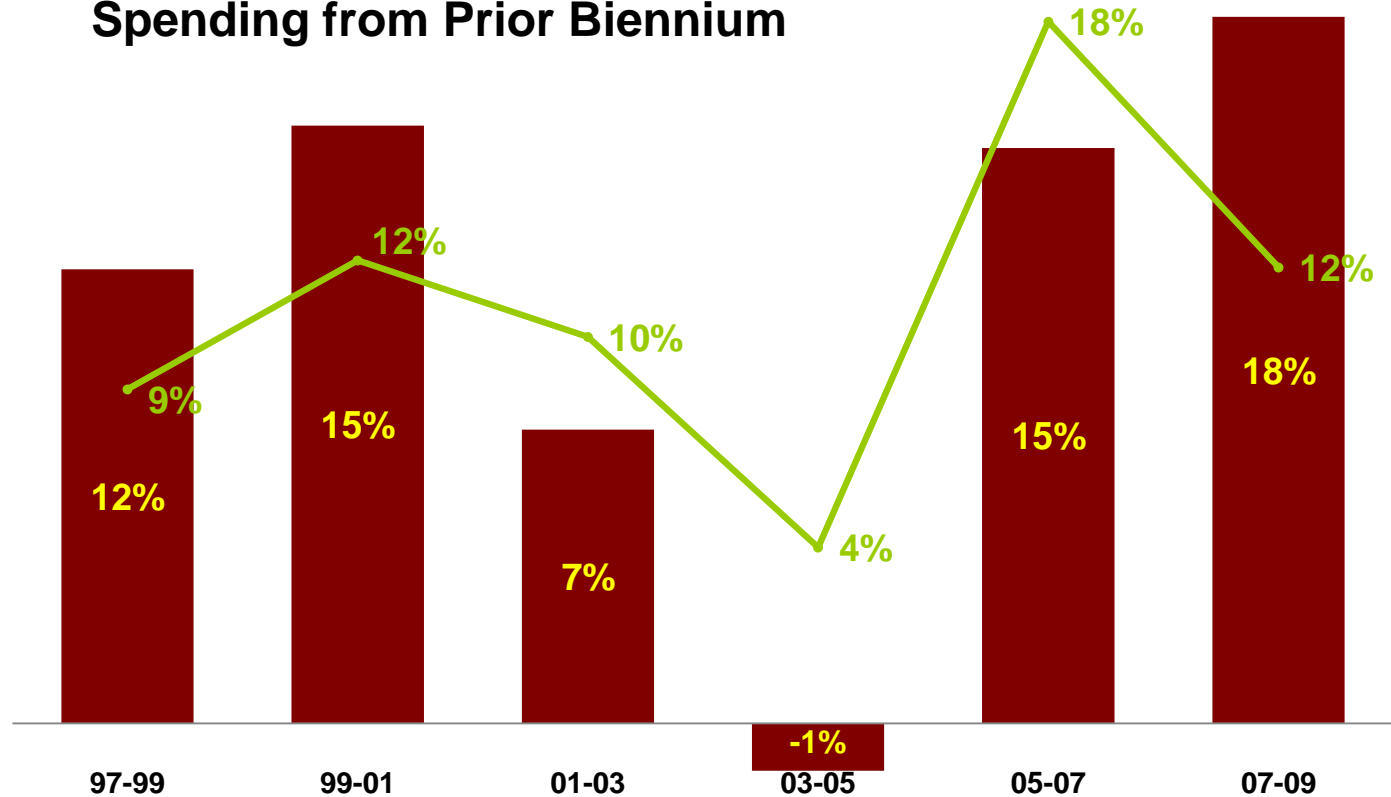
**Total State\* Spending Growth,  
1997-99 to 2007-09**



*\*"State" = Near General Fund.*

State appropriations for higher education have been highly cyclical --they grow faster than total state government in good economic times, and slower in bad.

**Percent Growth in State\*  
Spending from Prior Biennium**



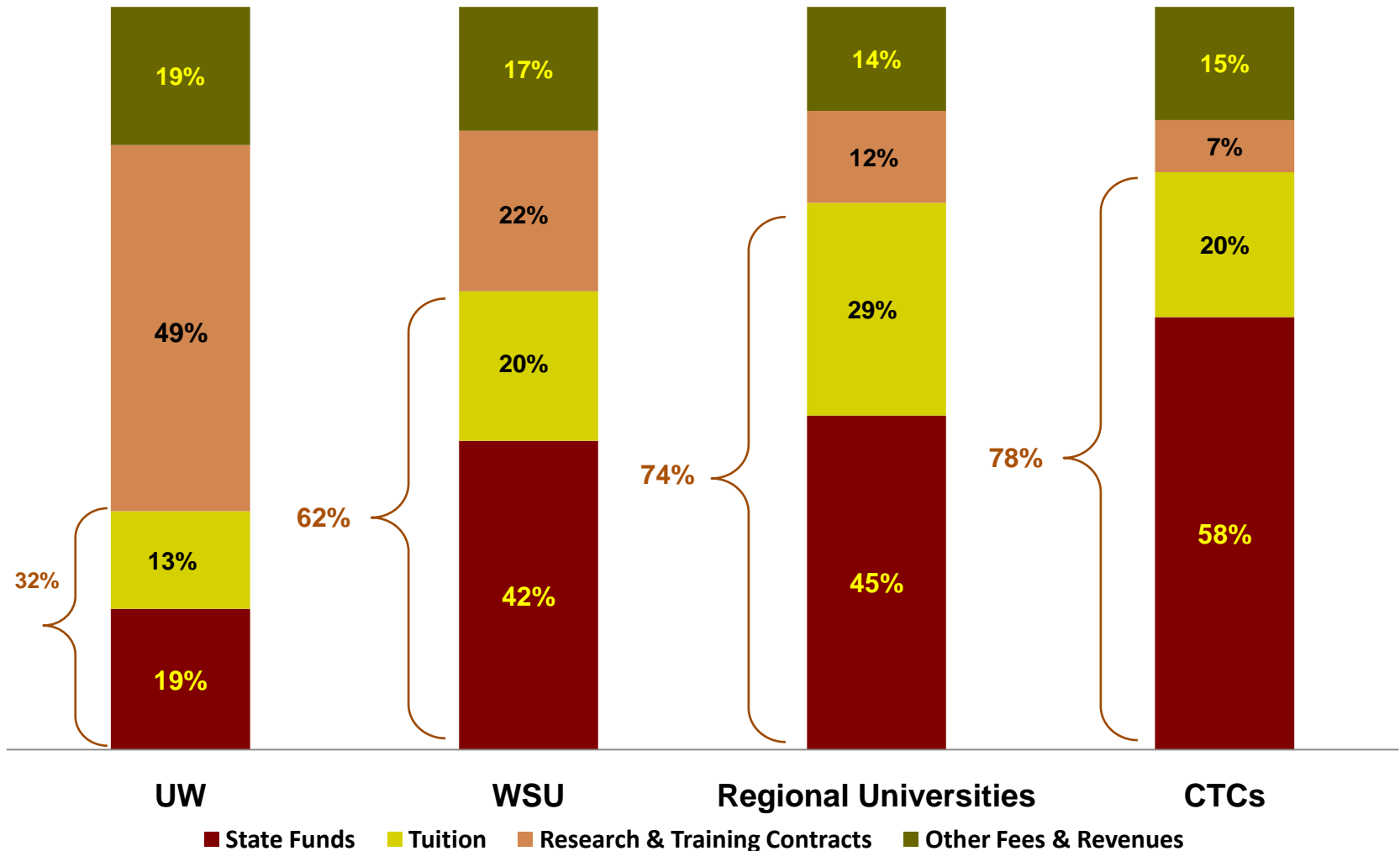
■ Higher Education    — Total State Spending

\*"State" = Near General Fund.

# The portion of operations covered by state funds and tuition varies significantly by institution.

## FY 08 Operating Expenditures

*excludes food services, housing, UW Hospitals, & other auxilliary enterprises*

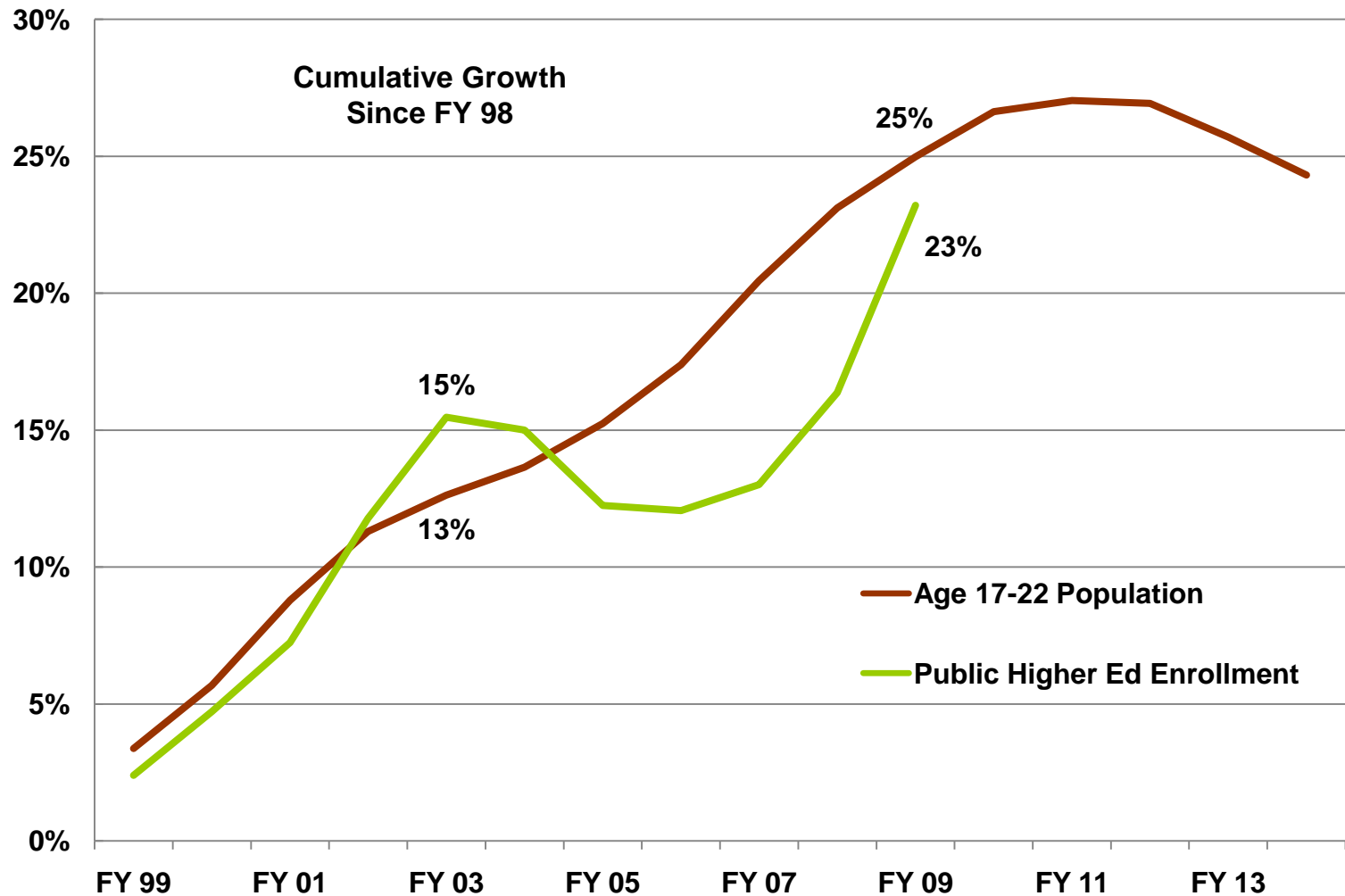




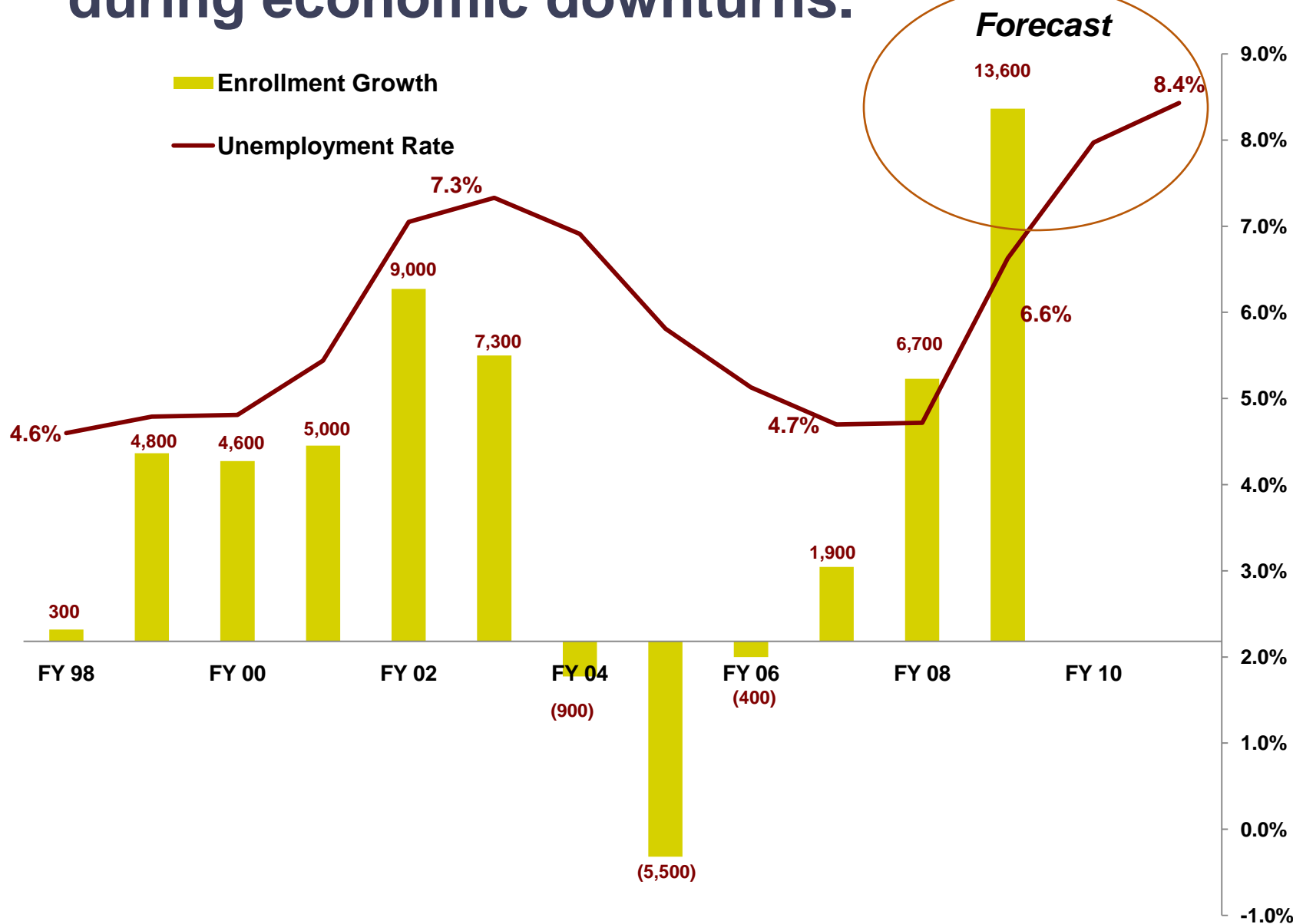
# ENROLLMENT TRENDS & ISSUES

**There is likely to be unprecedented demand for enrollment at the state's colleges & universities in 2009-11, for two main reasons.**

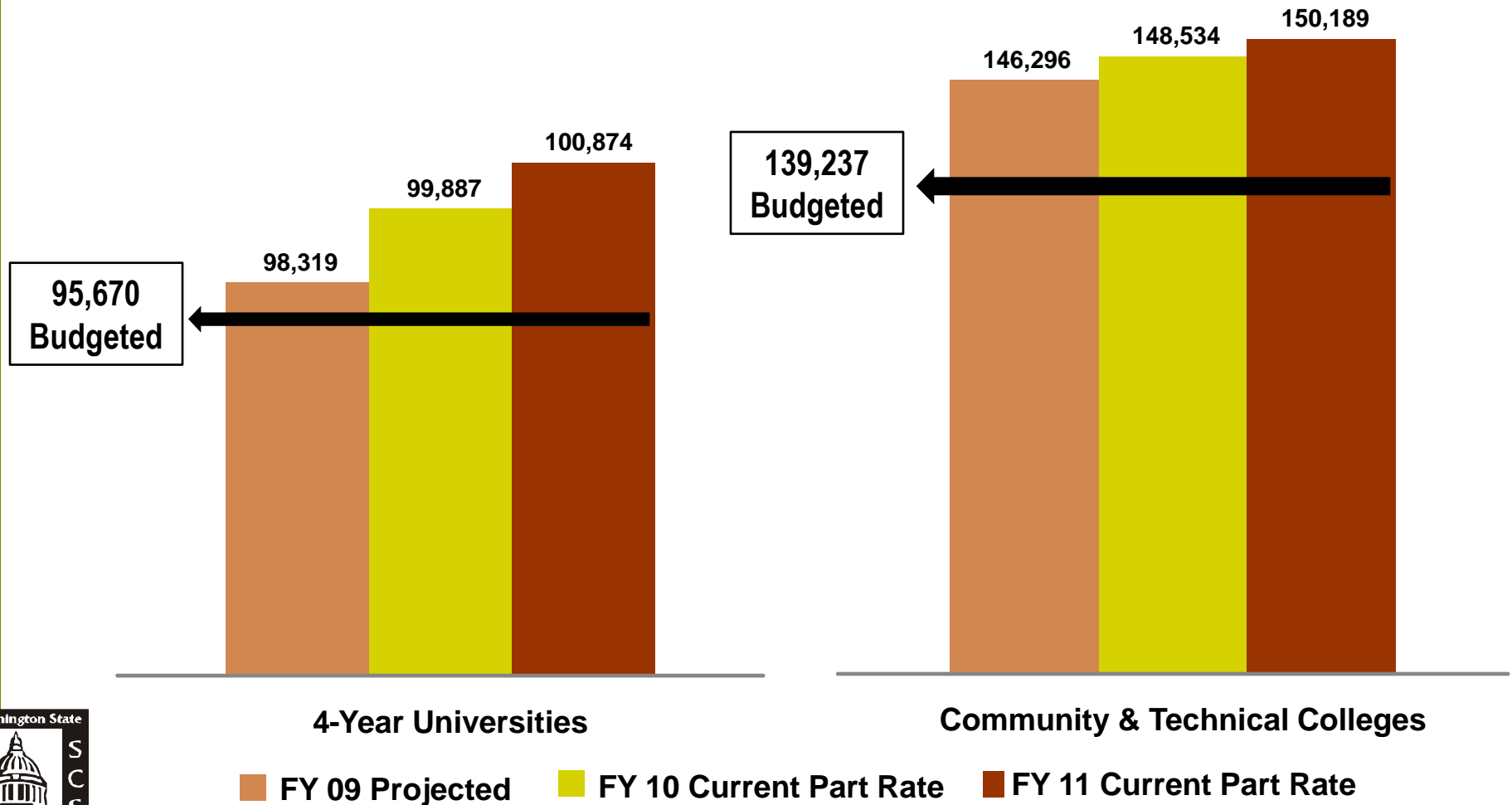
The “baby boom echo”, which has been the primary driver of enrollment growth over the past decade, will peak in 2009-11.



# Demand for public higher education peaks during economic downturns.



Enrollment would need to increase by 6,000 FTEs next biennium to maintain current levels of access, and by 10,000 more than that if institutions cannot sustain current levels of “over-enrollment”.

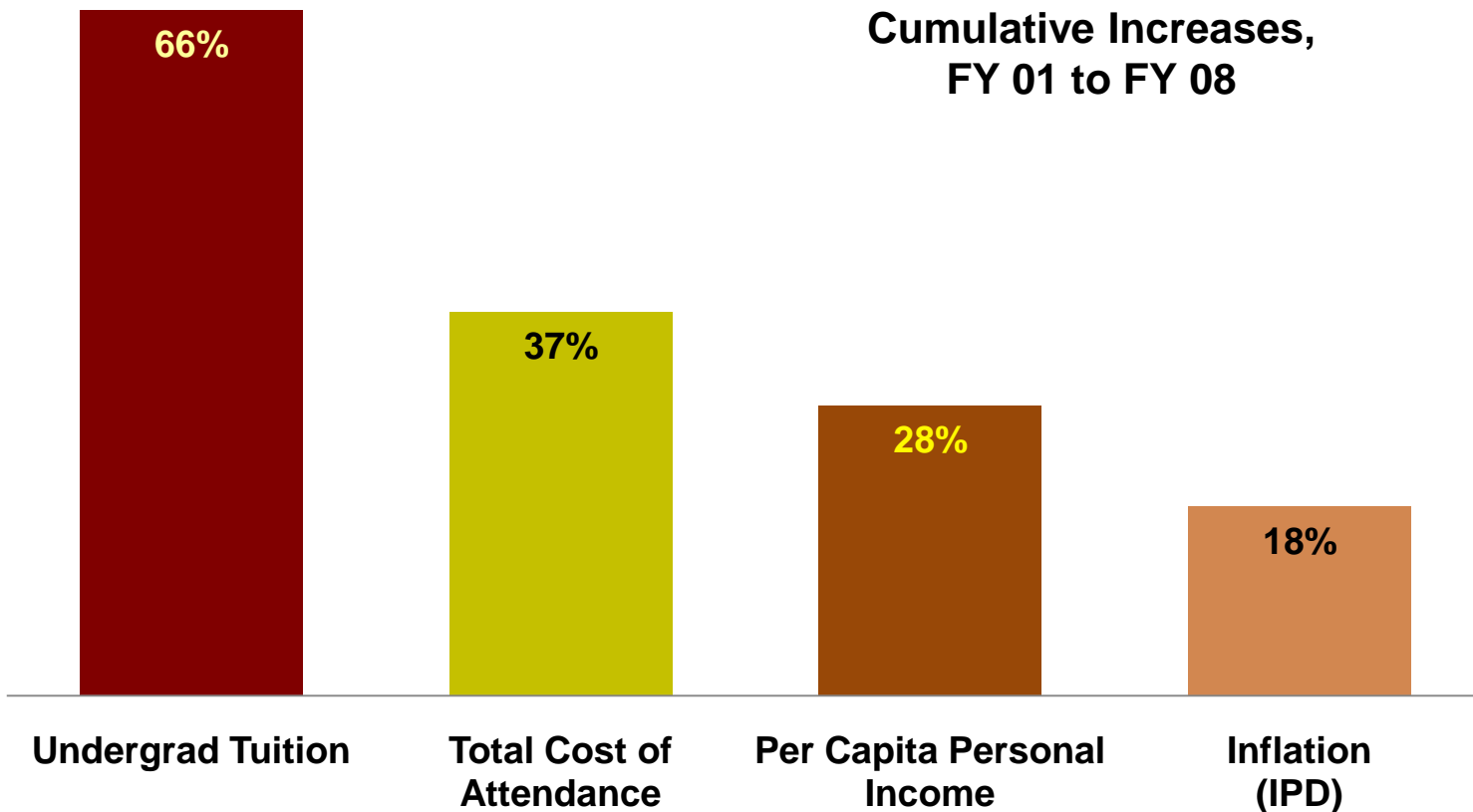


# TUITION TRENDS & ISSUES

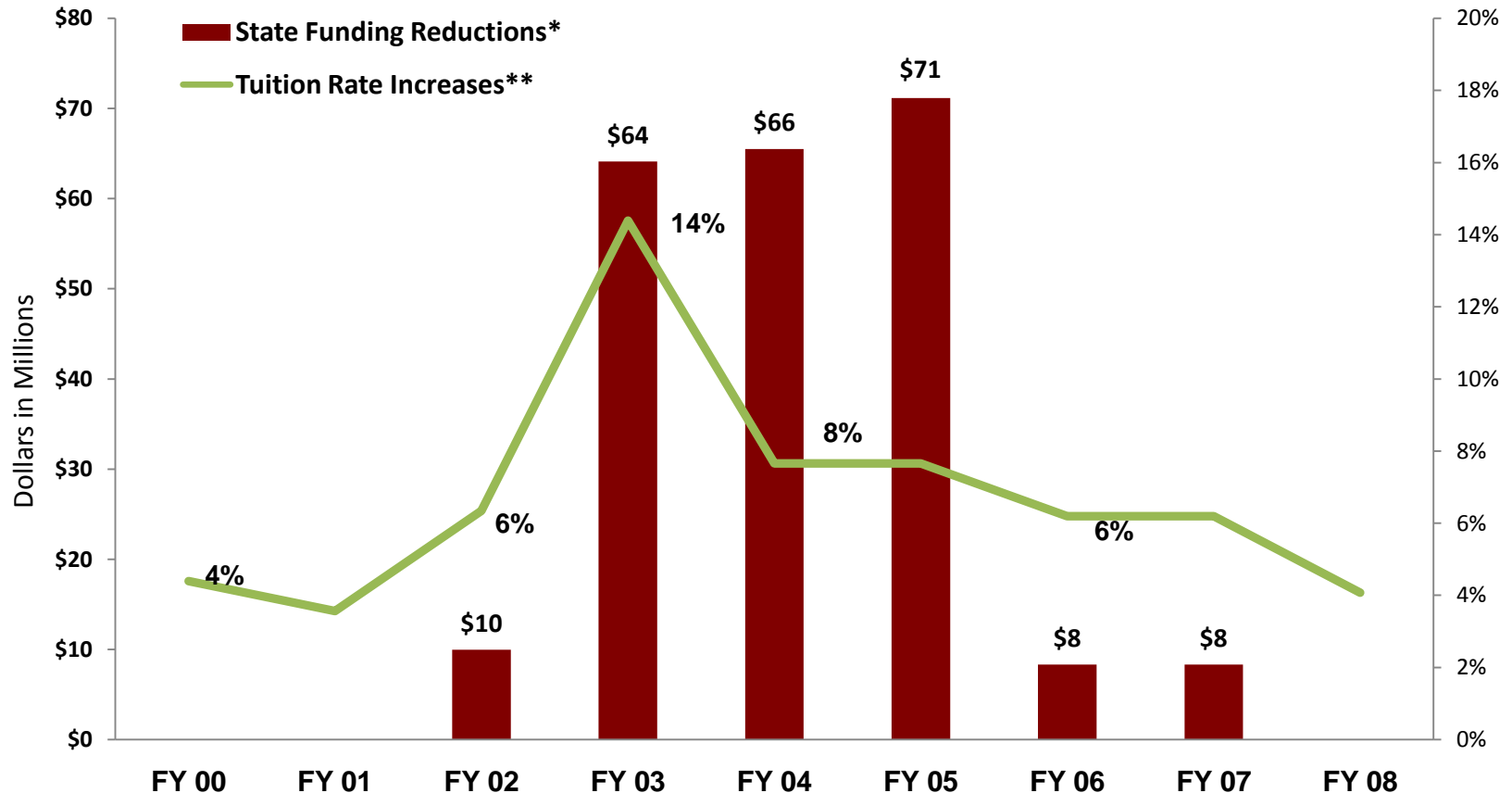
# Key Statutory Provisions on Tuition

- **Maximum resident undergraduate tuition increases are set by the Legislature, and capped at 7% per year.**
- **Institutions have had authority to set all other tuition rates since 2003 (sunsets this year).**
- **State Guaranteed Education Tuition (GET) Program:**
  - each 100 units purchased is guaranteed to be worth a year's tuition at the highest-priced state university when cashed in.
  - pricing assumes 7% average annual tuition increases
  - significantly or consistently higher increases or poor investment returns threaten long-term solvency.
  - purchases are backed by full faith & credit of the state
- **Under I-960, all “non-commercial” tuition & fee increases require legislative approval.**

**Resident undergraduate tuition has increased faster than inflation, income, and the total cost of attendance over the past 8 years.**



Tuition increases have typically been used to offset reductions in state support in bad economic times, and for inflationary and discretionary increases in good ones.

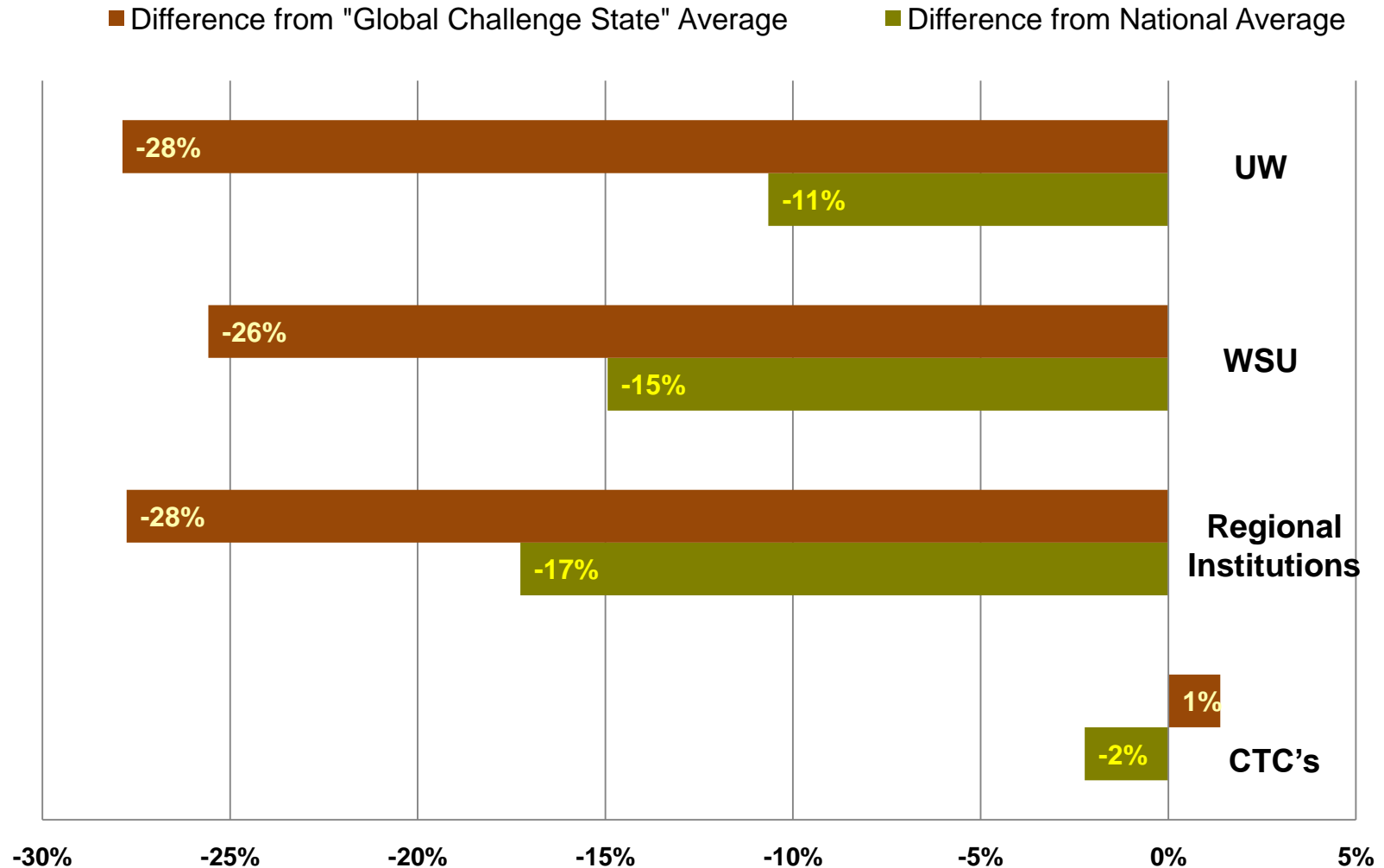


\* Across-the-board reduction amounts only. Does not include enrollment, compensation, or other increases in state funding.

\*\* Increase in resident undergraduate tuition rates averaged across students in all sectors.



# Despite these increases, Washington undergraduate tuition rates are generally lower than at comparable institutions in other states.



"Global Challenge States" are California, Colorado, Connecticut, Maryland, Massachusetts, New Jersey, and Virginia.

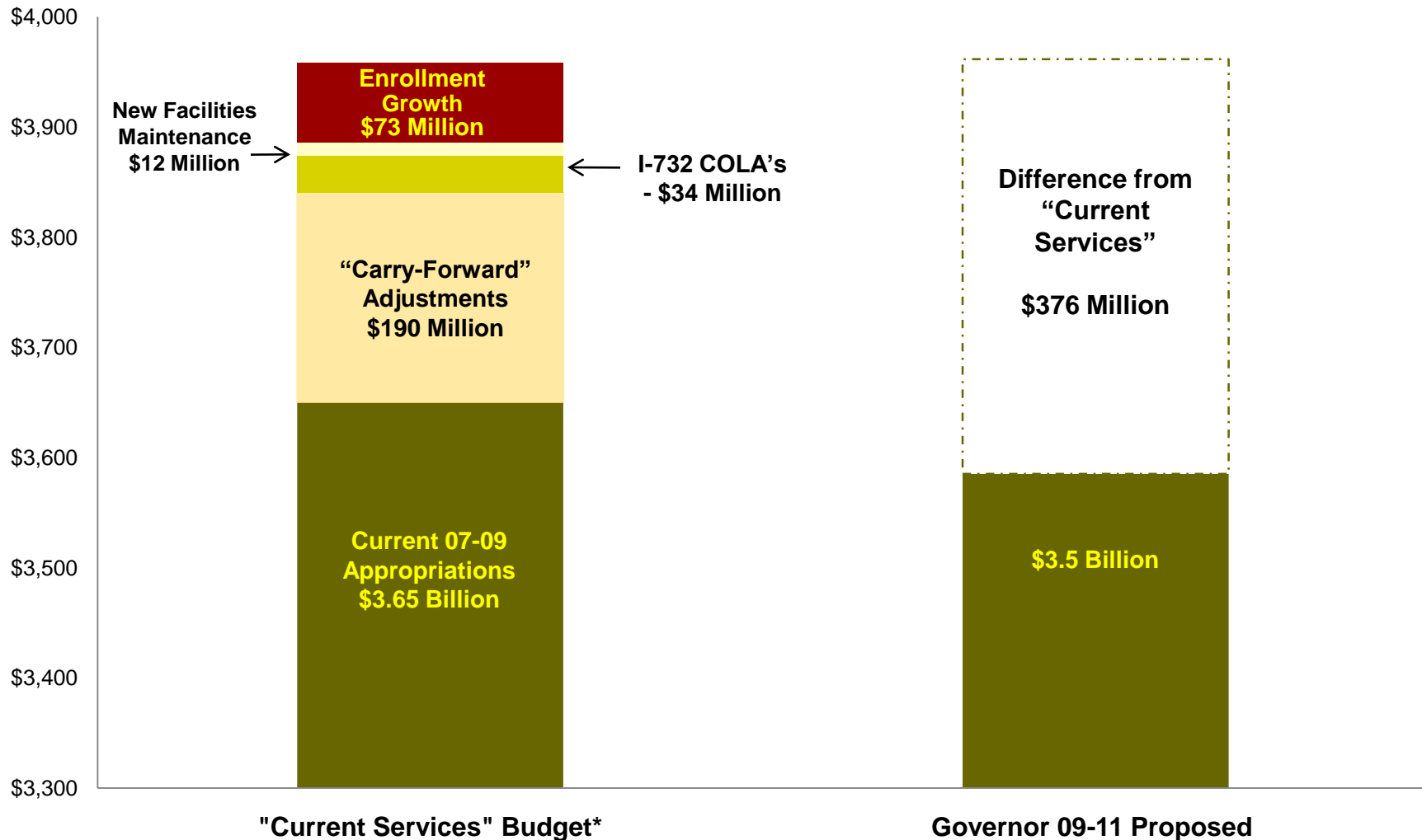
# Washington offers an array of financial aid programs, particularly for lower-income students.

- \$485 million in 07-09, for 14 primary programs, with 87,000 average annual recipients.
- Need Grant, State Work Study, & CTC Opportunity Grants account for 90% of expenditures, and 95% of recipients.
- 23% of all public sector resident undergrads received a Need Grant last year.
- Practice has been to increase Need Grant to fully offset impact of tuition increases.
- In 2007, among all states, Washington ranked:
  - 12<sup>th</sup> in total state aid per undergraduate student.
  - 5<sup>th</sup> in need-based aid per undergraduate.
  - 24<sup>th</sup> in the percentage of students receiving direct state aid.



# **GOVERNOR'S 2009-11 HIGHER EDUCATION OPERATING BUDGET PROPOSALS**

# The Governor's proposed 2009-11 operating budget is about \$375 million below the level needed to maintain current Higher Ed programs and policies.



\* Current services estimate does not include any non-mandatory compensation increases; inflation on goods and services; or funding to support 10,000 current enrollments above budgeted levels.

# Major Provisions of the Governor's Proposed 2009-11 Operating Budget

## ***Across-the-Board Reductions***

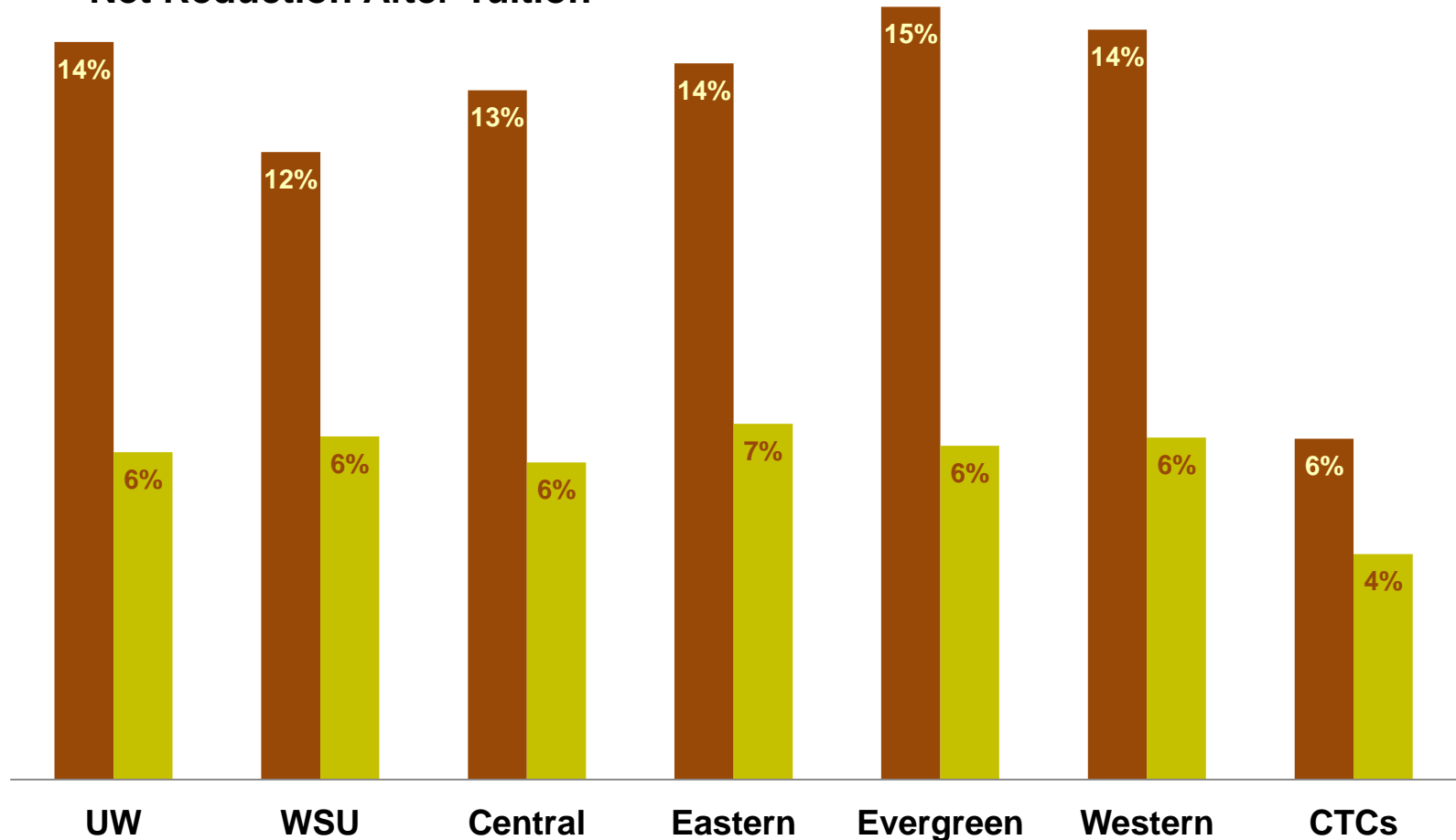
- \$258 million (13% average) reduction to all 4-year institutions.
- \$94 million (6%) reduction to community & technical colleges.
- broad discretion to institutions regarding implementation.

## ***Tuition & Fee Increases***

- undergrad tuition increases of up to 7% each year at 4-year institutions.
- up to 5% each year at community & technical colleges.
- comparable increases assumed for graduate students and non-residents.
- no proposed authority for institutions to increase other fees.

# The Governor's across-the-board reductions are structured to result in net 4-6% reductions after assumed tuition increases\*.

■ Across the Board Reduction  
■ Net Reduction After Tuition



\* "Net" reductions do not account for inflation, and will be larger if institutions are unable to raise non-resident and graduate tuition by the 5-7% per year assumed for undergraduates.

# Major Provisions of the Governor's Proposed 2009-11 Operating Budget

## *State Financial Aid Programs*

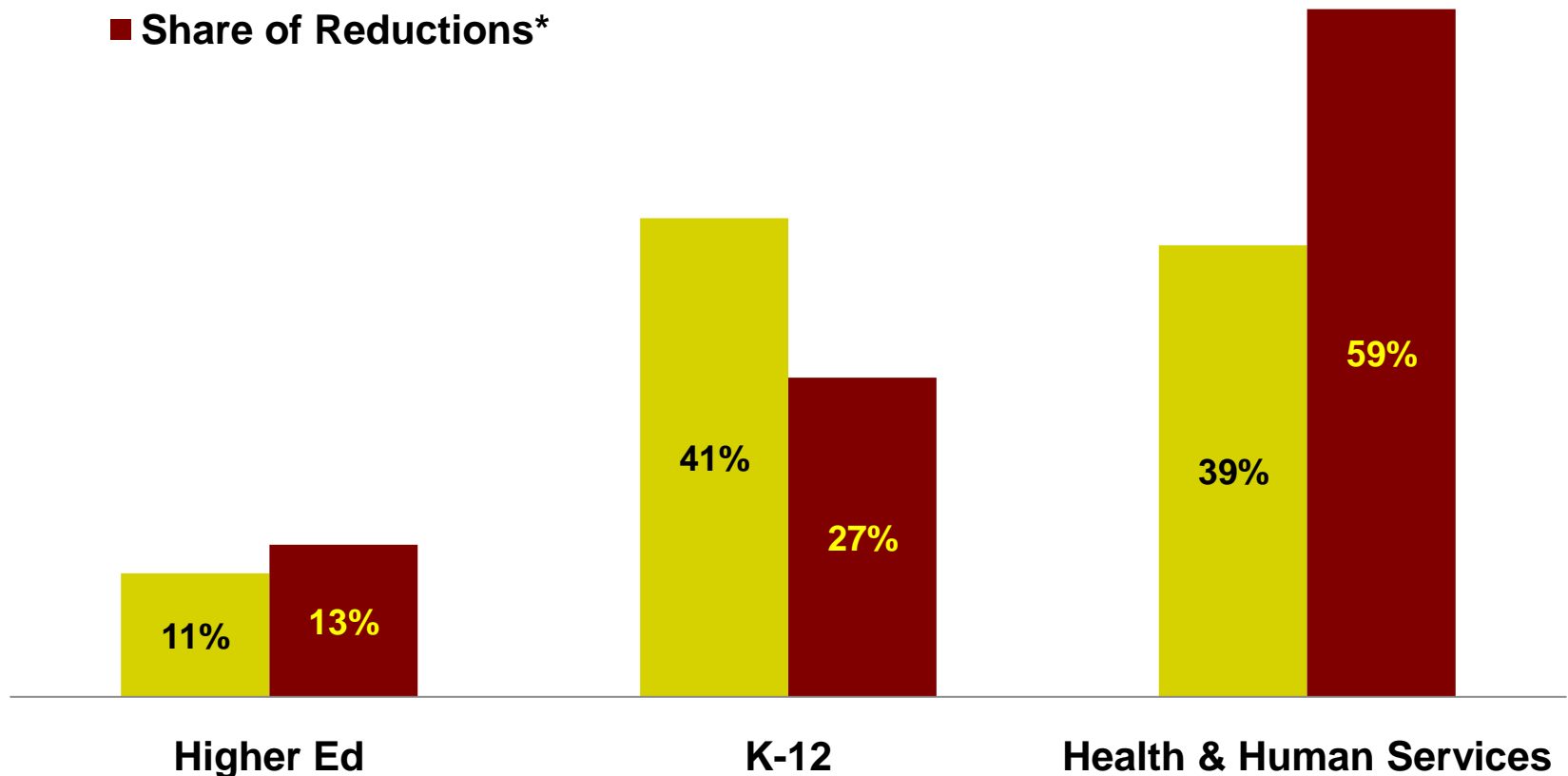
- award amounts increased to offset tuition increases, except at private 4-year schools.
- eligibility for Need Grant reduced to 65% of median (\$49,000 for family of 4) from 70% (\$52,500).
- Need Grant reduced by ~5% for incomes over 50% of median.

## *Enrollment Growth*

- no funding to increase enrollment above current budgeted level.
- no minimum enrollment levels specified in appropriations act. Institutions encouraged to minimize impacts to students.
- institutions directed to maintain 2003-2007 average degree production in 8 high employer demand fields.

# On a percentage basis, the Higher Ed reductions are not as deep as proposed for health and human services programs.

- Share of 09-11 Maintenance Budget
- Share of Reductions\*



\* Net change after reductions and increases, but excludes assumed federal funding increases, and compensation adjustments (i.e. health benefit increases, pension adjustments, and COLA's other than I-732.)



# POTENTIAL BUDGET REDUCTION LEVELS, ACTIONS, & IMPACTS

# At joint request of Senate policy and fiscal committees, institutions have prepared budget reduction “scenarios”.

## *Purpose is to identify & describe:*

- activities likely to be reduced or eliminated
- probable impacts on students, staff, & the public
- suggested alternatives, such as additional tuition increases, or regulatory relief

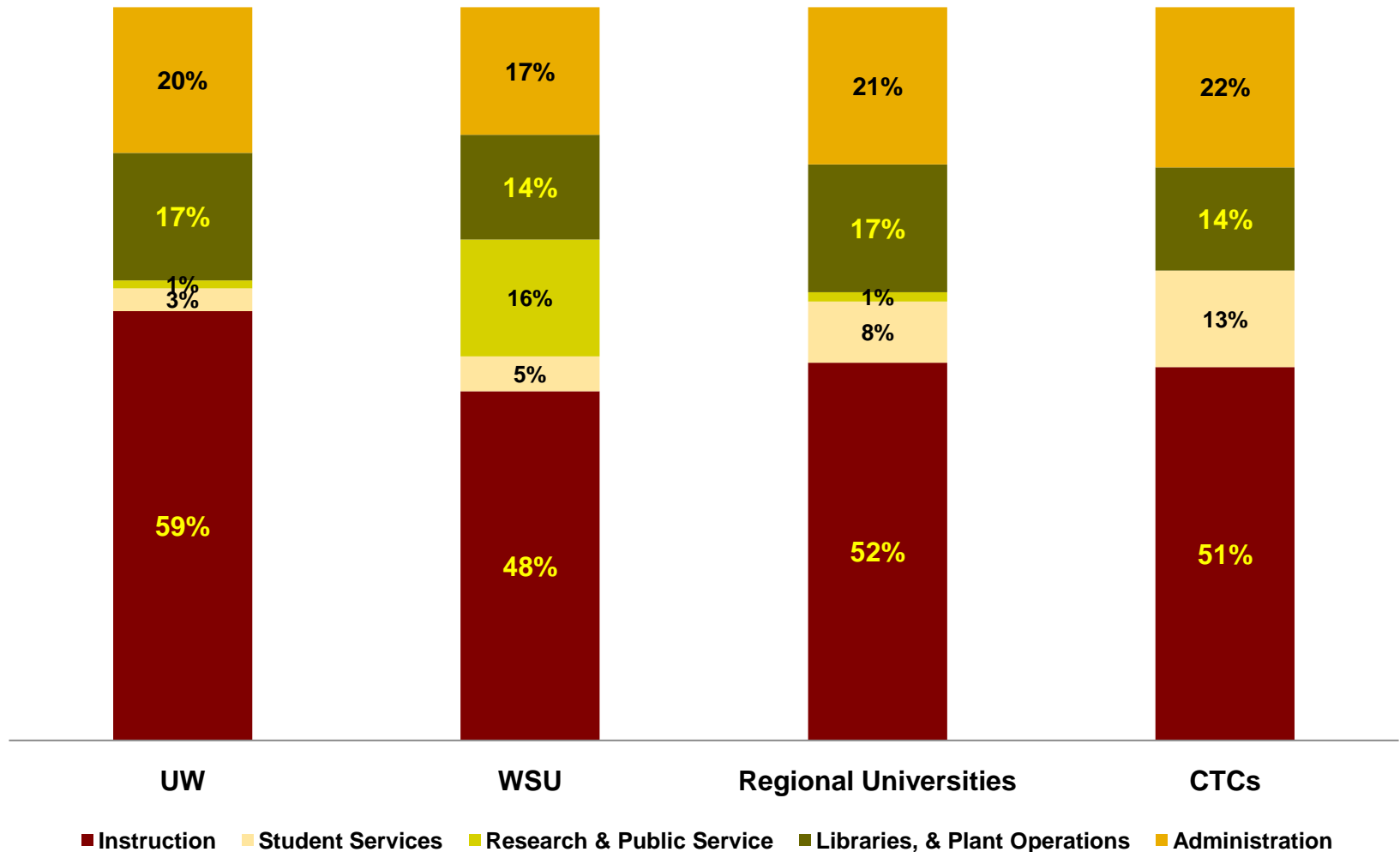
## *At two different budget reduction levels:*

- Governor’s level
- 50% more than that

# Scenarios describe actions and impacts in 5-6 broad program budget categories.

- **State-sponsored research**
- **Public Service** - such as ag extension; environmental, business development, labor relations, and other special purpose centers; radio & TV stations; conferences; etc.
- **Student Services** - such as advising & tutoring; recruitment & admissions; registration & records; student activities; athletics; etc.
- **“Administration”** – includes academic division and institution-wide planning & management; fiscal operations; human resources; academic & institutional computing, etc. Also includes museums, galleries, & creameries.
- **Libraries, Plant Operations, & Maintenance**
- **Instruction**

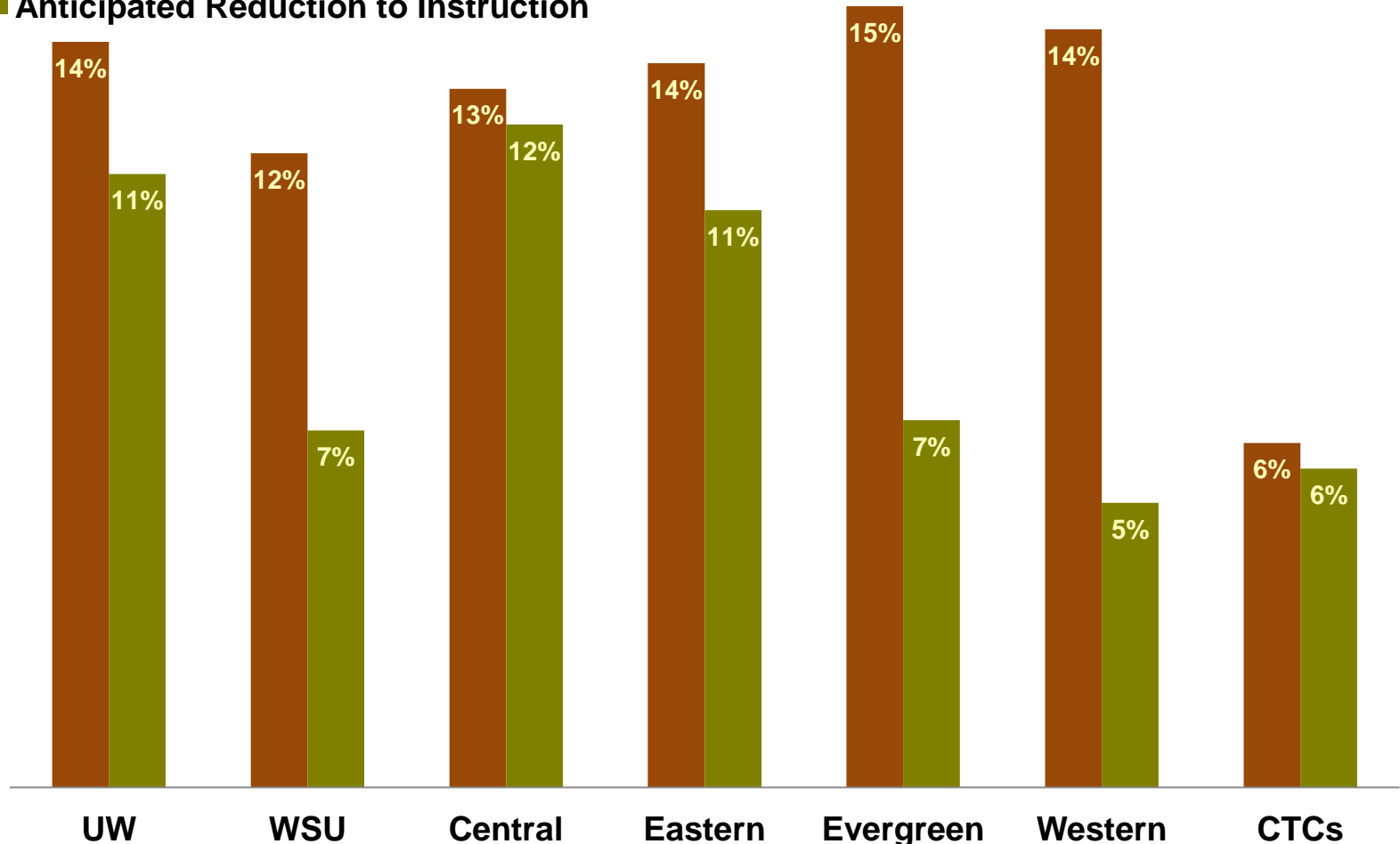
About 60% of “state funds + tuition” are spent on instruction and student services, and 20% on academic & institutional administration.



At the reduction level proposed by the Governor, most institutions would seek to safeguard instruction by targeting reductions to other areas.

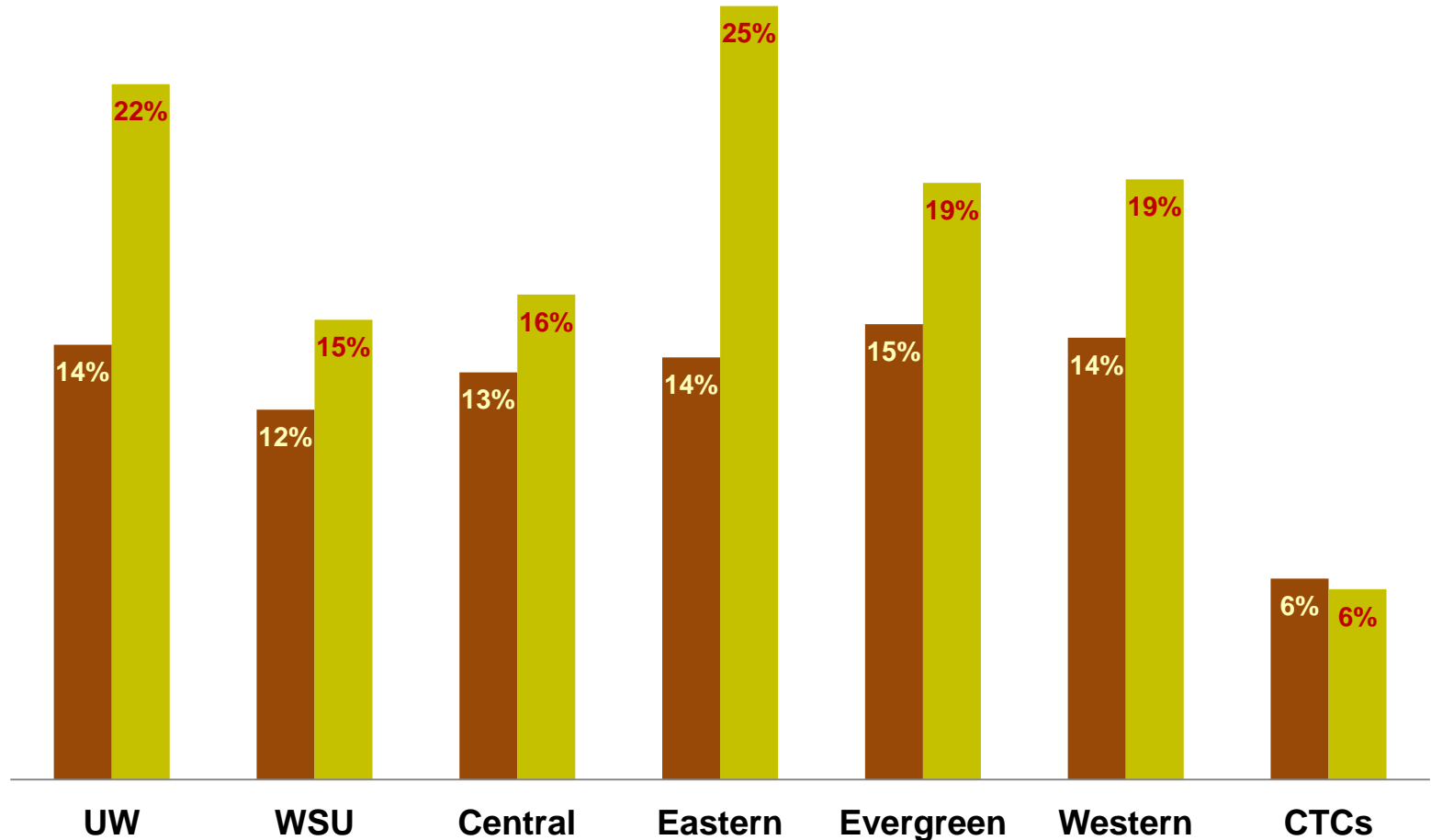
■ Total State Reduction at Governor's Level

■ Anticipated Reduction to Instruction



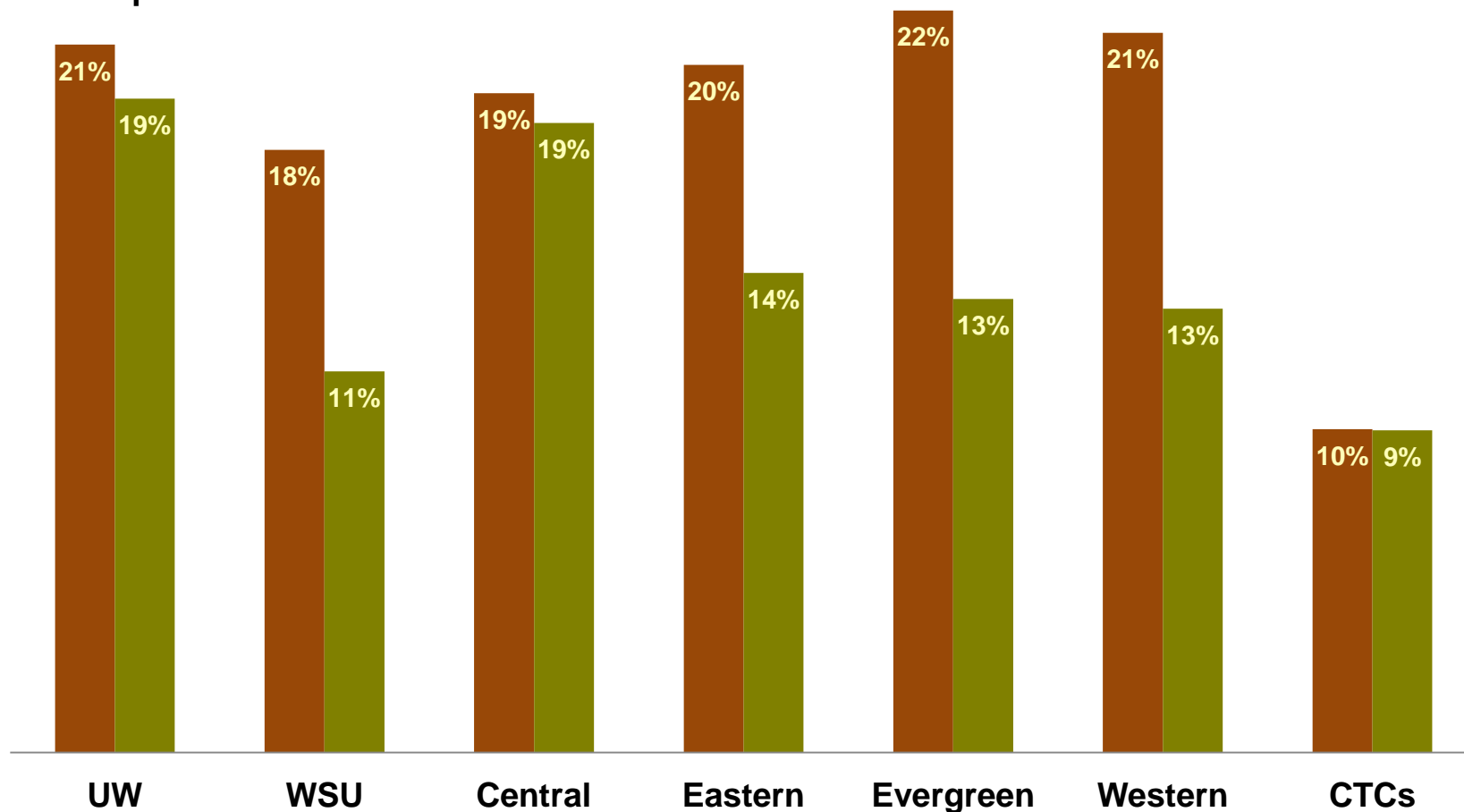
# Administrative activities are the most common area targeted for disproportionately large reductions.

- Total State Reduction at Governor's Level
- Anticipated Reduction to Administration



The institutions generally indicate that targeting reductions to non-instructional activities is less feasible at the “Governor + 50%” reduction level.

- Total State Reduction at Governor + 50% Level
- Anticipated Reduction to Instruction



Under either scenario, there would be significant impacts on student access to public higher education.

	Current Enrollment		Projected 09-11 Change	
	Budgeted	Projected Actual	Governor's Budget Level*	Governor + 50% Scenario*
University of Washington	38,526	39,629	(850)	(2,270)
% Change from Current			-2%	-6%
Washington State	22,250	23,425	(1,000)	(1,500)
% Change from Current			-4%	-6%
Central	9,322	9,060	(830)	(1,245)
% Change from Current			-9%	-14%
Eastern	9,184	9,298	-	(400)
% Change from Current				-4%
Evergreen	4,213	4,406	(200)	(400)
% Change from Current			-5%	-9%
Western	12,175	12,365	(915)	(2,477)
% Change from Current			-7%	-20%
<b>Sub-Total, 4-Year Institutions</b>	<b>95,670</b>	<b>98,183</b>	<b>(3,795)</b>	<b>(8,292)</b>
% Change from Current			-4%	-8%
Community & Technical Colleges	139,237	146,305	-	(1,214)
% Change from Current			0%	-1%
<b>TOTAL Public Higher Ed</b>	<b>234,907</b>	<b>244,488</b>	<b>(3,795)</b>	<b>(9,506)</b>
% Change from Current			-2%	-4%

\* Under the Governor's proposal, state funding to 4-year institutions would be reduced by 13% on average, or 6% after anticipated tuition increases. CTCs would be reduced by 6%, or 4% after accounting for tuition. Under the "+50%" scenario, the reductions would be 20% state/13% net for the 4-year institutions; and 9.5% state/7% net after tuition for the CTC system.